

**Internal Revenue Service
P.O. Box 2508
Cincinnati, OH 45201**

Department of the Treasury

**Number: 201014070
Release Date: 4/9/2010**

Date: January 12, 2010

Employer Identification Number:

Contact Person - ID

Contact Telephone Number:

UIL 4945.04-04

LEGEND

**B= Name of Scholarship Program
C= Geographical area
D= Membership organization
E= Governmental unit**

x= Grant amount

Dear :

We have considered your request for an update to your advance approval of a grant-making program under section 4945 (g)(1) of the Internal Revenue Code, dated July 31, 2009, with a postmark date of August 5, 2009.

Our records indicate that you were recognized as exempt from Federal income tax under section 501(c)(3) of the Code and that you were classified as a private foundation as defined in section 509(a) in 1981. Your original application explained your grant-making program and we gave advance approval at that time. At some point you changed your program and are requesting an updated approval letter.

Your letter indicates that you will operate a grant-making program, named B that will be awarding scholarships to academically qualified graduates of C high schools. Each recipient must use the scholarship proceeds to pay his/her tuition at a 2-year or 4-year accredited junior college, college or university. The amount and number of scholarships awarded will vary. However, generally a scholarship may not exceed x per year per recipient. A successful scholarship winner may reapply four successive years for renewal of the grant.

The Screening Committee (Selection Committee) makes public announcements annually and provides information about B to Guidance Counselors at each public and private high school in C. In addition, a press release is given to local newspapers naming the recipients of the scholarships and notifying future high school seniors how to obtain information about B.

The Screening Committee reviews the application, determines the number of scholarships that shall be awarded, determines the amount of each scholarship, selects the scholarship recipients and advises the Trustee of your Foundation which students shall receive scholarships. In making its selection, the Screening Committee considers each applicant's scholastic record and intellectual achievement. If the scholastic record and intellectual achievement of the applicants under consideration are substantially equal, the Screening Committee may consider an applicant's financial need. All scholarships are awarded on an objective and non-discriminatory basis. No scholarships may be awarded to any individual who is related by blood, adoption or marriage to any member of the Screening Committee or any disqualified person of your Foundation as a first cousin or nearer relative. Also, the Screening Committee may not benefit, directly or indirectly, from selecting certain scholarship recipients over other potential scholarship recipients. The members of the Screening Committee are composed of the Superintendent of schools of C, the President of D and the Director of E.

The Trustee of your Foundation pays the scholarship proceeds directly to the educational institution the recipient attends. The Trustee provides a letter to each educational institution specifying that the educational institution agrees to (i) refund any unearned portion of a scholarship if, subsequent to the payment of a scholarship, a scholarship recipient fails to meet any term or condition of B; and (ii) notify the Trustee if a scholarship recipient fails to meet any term or condition of B.

The selection criteria include:

- Essay
- High school honors & activities
- Notice of applicants acceptance from the chosen college
- Letters of recommendation
- Official transcript of their high school record
- Letter regarding financial aid

You have agreed to (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, (2) investigate diversions of funds from their intended purposes, and (3) take all reasonable and appropriate steps to recover diverted funds, ensure other grant funds held by a grantee are used for their intended purposes, and withhold further payments to grantees until you obtain grantees' assurances that future diversions will not occur and that grantees will take extraordinary precautions to prevent future diversions from occurring.

You have agreed to maintain all records relating to individual grants, including

information obtained to evaluate grantees, identify whether a grantee is a disqualified person, establish the amount and purpose of each grant, and establish that you undertook the supervision and investigation of grants.

Sections 4945(a) and (b) of the Code impose certain excise taxes on "taxable expenditures" made by a private foundation.

Section 4945(d)(3) of the Code provides that the term "taxable expenditure" means any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or other similar purposes by such individual, unless such grant satisfies the requirements of subsection (g).

Section 4945(g) of the Code provides that section 4945(d)(3) shall not apply to individual grants awarded on an objective and nondiscriminatory basis pursuant to a procedure approved in advance if it is demonstrated that:

- (1) The grant constitutes a scholarship or fellowship grant which is subject to the provisions of section 117(a) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii);
- (2) The grant constitutes a prize or award which is subject to the provisions of section 74(b), if the recipient of such prize or award is selected from the general public, or
- (3) The purpose of the grant is to achieve a specific objective, produce a report or similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent of the grantee.

Section 53.4945-4(c)(1) of the Regulations provides that to secure approval, a private foundation must demonstrate that:

- (i) Its grant procedure includes an objective and nondiscriminatory selection process;
- (ii) Such procedure is reasonably calculated to result in performance by grantees of the activities that the grants are intended to finance; and
- (iii) The foundation plans to obtain reports to determine whether the grantees performed activities that the grants are intended to finance.

Based on the information submitted and assuming your award programs will be conducted as proposed with a view to provide objectivity and nondiscrimination in making the awards, we have determined that your procedures for granting the awards comply with the requirements contained in section 4945(g) of the Code and that awards granted in accordance with such procedures will not constitute "taxable expenditures" within the meaning of section 4945(d)(3).

In addition, we have determined that awards made under your procedures are excludable from the gross income of the recipients subject to the limitations provided by section 117 of the Code.

This determination is conditioned on the understanding that there will be no material change in the facts upon which it is based. It is further conditioned on the premise that no grants will be awarded to foundation managers, or members of the selection committee, or for a purpose that is inconsistent with the purpose described in section 170(c)(2)(B) of the Code.

The approval of your award program procedures herein constitutes a one-time approval of your system standards and procedures designed to result in awards which meet the requirements of section 4945(g)(1) of the Code. This determination only covers the grant programs described above. Thus, approval shall apply to subsequent award programs only as long as the standards and procedures under which they are conducted do not differ materially from those described in your request.

Any funds you distribute to individuals must be made on a true charitable basis in furtherance of the purposes for which you are organized. Therefore, you should maintain adequate records and case histories so that any or all award distributions can be substantiated upon request by the Internal Revenue Service.

This determination is directed only to the organization that requested it. Section 6110(j)(3) of the Code provides that it may not be used or cited as a precedent.

You must report any future changes in your grant making procedures. Please keep a copy of this letter in your permanent records.

We have sent a copy of this letter to your representative as indicated in your power of attorney.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,

Robert Choi
Director, Exempt Organizations
Rulings and Agreements